

**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
WITH CONSOLIDATING INFORMATION**

**DECEMBER 31, 2016 AND 2015**



GILMORE JASON MAHER, LTD.  
PROFESSIONAL MEANS TRUSTED ADVICE

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Stockholders  
Doylestown Telephone Company and Subsidiary  
Doylestown, Ohio

We have reviewed the accompanying consolidated financial statements of Doylestown Telephone Company (a corporation) and Subsidiary (collectively, "the Company") which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

### Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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MEMBERSHIP ORGANIZATION  
RSM US Alliance

RSM

RSM US Alliance members share a common vision and values, and are committed to providing the highest quality of service to their clients. RSM US Alliance members are committed to the highest standards of professional conduct and to the highest standards of service to their clients. RSM US Alliance members are committed to the highest standards of professional conduct and to the highest standards of service to their clients. RSM US Alliance members are committed to the highest standards of professional conduct and to the highest standards of service to their clients.



GILMORE JASON MAHLER, LTD  
AN ADVISORY FIRM, THE CITY GROUP

### Consolidating Information

The consolidating information on pages 21 through 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

*Gilmore Jason Mahler, LTD*

Findlay, Ohio  
June 9, 2017

CONFIDENTIAL

**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 213,613	\$ 149,210
Telecommunications accounts receivable (net of \$107,900 in 2016, and \$159,391 in 2015 for doubtful accounts)	114,396	182,839
Other accounts receivable	210,401	223,435
Accounts receivable - officer	217,214	184,682
Materials and supplies	114,963	89,869
Prepaid expenses	36,328	49,291
Deferred income tax	26,121	42,184
Total current assets	933,036	921,510
<b>Property, plant and equipment</b>		
Land	144,062	144,062
Plant and equipment	13,191,743	15,030,222
Total property, plant and equipment	13,335,805	15,174,284
Less: accumulated depreciation	(10,659,507)	(12,412,654)
Net property, plant and equipment	2,676,298	2,761,630
<b>Other assets</b>		
Cellular partnership investment, at cost	1,290,082	1,290,082
Com Net investment, at cost	18,500	18,500
Available-for-sale securities, at market	1,475,499	1,530,667
Bonds held to maturity	19,863	19,893
Horizon Telcom investment, at market	15,033	9,971
Deferred income tax	1,392,862	1,301,990
Deposits	2,790	2,790
Total other assets	4,214,629	4,173,893
Total assets	<u>\$ 7,823,963</u>	<u>\$ 7,857,033</u>

See independent accountant's review report.  
The accompanying notes are an integral part of these financial statements.

**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 138,758	\$ 142,722
Accrued state and local tax	3,339	3,489
Accounts payable - withheld and collected taxes	139,707	131,960
Customer deposits	450	400
Accrued property tax	9,499	9,500
Accrued other taxes	8,530	7,295
Total current liabilities	<u>300,283</u>	<u>295,366</u>
Total liabilities	300,283	295,366
<b>Stockholders' equity</b>		
Common stock (500 shares authorized, 353 shares issued and 352 shares outstanding, \$10 par)	3,530	3,530
Retained earnings	7,582,314	7,705,520
Treasury stock	(14,003)	(14,003)
Accumulated other comprehensive loss	(48,161)	(133,380)
Total stockholders' equity	<u>7,523,680</u>	<u>7,561,667</u>
Total liabilities and stockholders' equity	<u>\$ 7,823,963</u>	<u>\$ 7,857,033</u>

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**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating revenues</b>		
Local telephone service revenues	\$ 1,996,659	\$ 1,933,988
Telephone access revenues	938,083	1,030,203
Basic, premium, pay-per-view TV channels	924,883	913,897
Internet revenues	429,143	481,133
Cable modem revenues	391,563	452,098
Security service revenues	8,796	31,390
Advertising and consulting revenues	86,169	81,905
Miscellaneous revenues	272,053	280,850
Uncollectible revenues	(69,885)	25,210
Total operating revenues	<u>4,977,464</u>	<u>5,230,674</u>
<b>Operating expenses</b>		
Plant specific operations expenses	2,345,080	2,516,003
Plant nonspecific operations expenses	137,495	148,827
Depreciation expense	359,328	385,553
Amortization expense	341	341
Customer operations expenses	1,074,893	1,211,700
Corporate operations expenses	1,230,958	1,252,563
Total operating expenses	<u>5,148,095</u>	<u>5,514,987</u>
Loss before operating taxes	(170,631)	(284,313)
<b>Operating taxes (benefit)</b>		
Federal income benefit	(27,996)	(22,612)
Provision for deferred income taxes	(74,809)	(85,544)
State and local tax expense	14,540	14,439
Other operating taxes	20,420	18,563
Total operating benefit	<u>(67,845)</u>	<u>(75,154)</u>
Net operating loss	\$ (102,786)	\$ (209,159)

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**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Nonoperating income (expense)</b>		
Realized gain (loss) from sale of investments	\$ (14,053)	\$ 23,506
Loss on disposition of plant	(9,896)	0
Dividend and interest income	42,127	47,336
Special charges	(1,550)	(1,400)
Interest expense	0	(4)
Other nonoperating income - net rental income	1,403	4,345
Nonoperating federal income tax expense	(27,996)	(22,612)
Nonoperating deferred income tax expense	0	(117,905)
Total nonoperating loss	<u>(9,965)</u>	<u>(66,734)</u>
Net loss	<u>(112,751)</u>	<u>(275,893)</u>
<b>Other comprehensive income (loss), net of tax</b>		
Unrealized gain (loss) on available-for-sale securities	<u>85,219</u>	<u>(78,169)</u>
Net gain (loss) recognized in other comprehensive income	<u>85,219</u>	<u>(78,169)</u>
Comprehensive loss	<u><u>\$ (27,532)</u></u>	<u><u>\$ (354,062)</u></u>

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**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Common stock</b>		
Balance, beginning and end of year	\$ 3,530	\$ 3,530
<b>Retained earnings</b>		
Balance, beginning of year	\$ 7,705,520	\$ 7,991,550
Net loss	(112,751)	(275,893)
Dividends paid	(10,455)	(10,137)
Balance, end of year	<u>\$ 7,582,314</u>	<u>\$ 7,705,520</u>
<b>Treasury stock</b>		
Balance, beginning and end of year	<u>\$ (14,003)</u>	<u>\$ (14,003)</u>
<b>Accumulated other comprehensive income (loss), net of tax</b>		
Balance, beginning of year	\$ (133,380)	\$ (55,211)
Unrealized gain (loss) on available-for-sale securities	85,219	(78,169)
Balance, end of year	<u>\$ (48,161)</u>	<u>\$ (133,380)</u>

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**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Net loss	\$ (112,751)	\$ (275,893)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	359,328	385,553
Amortization expense	341	341
Provision for deferred income tax	(74,809)	32,361
Loss on disposition of plant	9,896	0
Realized (gain) loss from sale of investments	14,053	(23,506)
(Increase) decrease in current assets:		
Telecommunications accounts receivable	68,443	(64,710)
Accounts receivable - officer	(32,532)	(41,631)
Other accounts receivable	13,034	10,827
Deposits	0	1,000
Materials and supplies	(25,094)	(7,928)
Prepaid expenses	12,963	11,547
Increase (decrease) in current liabilities:		
Accounts payable	(3,964)	(46,769)
Accrued state and local tax	(150)	(247)
Accounts payable - withheld and collected taxes	7,747	(11,631)
Customer deposits	50	(100)
NECA accrual	0	(13,276)
Accrued property tax	(1)	881
Accrued other taxes	1,235	(6,749)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 237,789</b>	<b>\$ (49,930)</b>

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**DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	\$ (284,233)	\$ (207,678)
Purchase of securities	(298,216)	(439,756)
Sale of securities	<u>419,518</u>	<u>647,295</u>
Net cash used in investing activities	(162,931)	(139)
<b>Cash flows from financing activities</b>		
Payment of dividends	<u>(10,455)</u>	<u>(10,137)</u>
Net cash used in financing activities	(10,455)	(10,137)
Net increase (decrease) in cash	64,403	(60,206)
Cash at beginning of year	<u>149,210</u>	<u>209,416</u>
Cash at end of year	<u><u>\$ 213,613</u></u>	<u><u>\$ 149,210</u></u>

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